

**QUARTERLY TASK ORDER
PROGRESS AND COST
REPORT**

**ARMENIA LOCAL
GOVERNANCE PROGRAM**

**OCTOBER TO DECEMBER
2001**

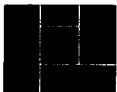
Prepared for



Armenia Local Governance Program
United States Agency for International Development
Contract No. EEU-I-00-99-00015-00, Task Order No. 807

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QUARTERLY TASK ORDER PROGRESS AND COST REPORT

OCTOBER TO DECEMBER 2001

ARMENIA LOCAL GOVERNMENT PROGRAM

Task Order No.: EEU-I-00-99-00015-00, Task Order No. 807

Date of Issuance: January 18, 2000

Task Order Description

In January 2000, the United States Agency for International Development (USAID) contracted the Urban Institute (UI) to implement a three-year local government project in Armenia. The project provides training and technical assistance (TA) designed to increase local government accountability, accessibility and responsiveness to citizens and to provide more effective and transparent management systems for local governments. The main components of the project are:

- Legal Reform and Local Government Association Development
- Service Delivery Improvement in Municipalities
- Citizen Participation in Local Government Affairs

Amount Obligated Under Task Order:	\$2,800,000
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Total Potential Task Order Amount:	\$4,205,721
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Dollars Expended To-date:	\$2,288,565
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Progress of Major Activities

This section of the quarterly report presents the major activities accomplished during the fourth quarter of 2001.

Major Highlight—Land and Property Tax Collection Increase in Pilot Cities—The introduction of computer hardware and municipal finance software in nine Armenian pilot cities has provided a strong incentive and basis to increase land and property tax collection. This accomplishment is even more encouraging when one takes into account that the cities do not have complete contacts of the tax assessment, billing and collecting process.

The following Table indicates the progress in increasing land and property tax revenues to each pilot city. In addition to the very encouraging increase in land and property tax collection, the program has

seen dramatic productivity increases pronounced enthusiasm and positive attitude toward their work by city staff.

Pilot City	2000* Amount in 000 AMD	2001** Amount in 000 AMD	Percent Increase
Alaverdi	2,705	4,864	80
Gyumri	98,161	128,289	31
Ijevan	4,354	8,758	101
Jermuk	6,944	6,452	(7)
Kapan	33,711	50,300	49
Sevan	7,106	7,353	3
Sissian	4,751	5,128	8
Vanadzor	58,016	73,209	26
Total	215,748	284,353	32

* Adjusted to 10 month receipts to make the comparison with 2001.

** Represents 10 full months of tax collection.

Source: Municipal Finance Officers Association, Yerevan, Armenia

While some cities have not been able to show dramatic increases, further analysis reflects the declining economic activity outside the city of Yerevan and reduced ability to pay the tax. Staff in those cities have been quick to point out that the percentage increase collection would not have been as good as it is without the additional capacity enabled by the introduction of computer hardware, software and database development. Given the fact that only 40 percent of the total local budget are derived from local sources, the average increase for the eight cities of 32 percent becomes significant.

Key Deliverables

2002 Implementation Plan

LGP presented the 2002 Implementation Plan to USAID. The plan included the following:

- Component 1—Government Decentralization—Administrative and Fiscal Issues
 - Task 1: Draft a new Law on Yerevan. (This task will only be performed once the referendum on the Constitution has been concluded).
 - Task 2: Create the Inter Community Union charter and structure proposed in draft Law on Local Self-Government. Select four pilot Unions outside Yerevan.
 - Task 3: Create the Inter Community Union charter and structure proposed in draft Law on Local Self-Government for Yerevan.



- Component 2—Service Delivery
 - Task 1: Design and implement LGU management systems in 12 districts of Yerevan.
 - Task 2: Continue to implement management systems in nine pilot cities.
 - Task 3: Implement management systems in pilot Inter Community Unions and Yerevan.
- Component 3—Citizens Participation and Condominium Associations
 - Task 1: Continue working on projects jointly promoted by local governments (pilot cities) and community members (program in conjunction with Save-the-Children).
 - Task 2: Continue to disseminate methods to determine citizens access to local government and participation in local government including: transparency and citizen understanding of local government (program in conjunction with American University of Armenia).
 - Task 3: Continue to strengthen condominium associations.
- Legal Reform
 - Law on Local Self-Government passed the first reading in the Armenian National Assembly.
 - Draft Law on Apartment Management presented to the Government for deliberation in the National Assembly in January 2002.
 - Amendments to the Law on Condominiums presented to the Government for deliberation in the National Assembly in January 2002.
 - Amendments to the Civil and Land Codes to ensure harmonization with the above laws presented to the Government for deliberation in the National Assembly in January 2002.
- Service Delivery
 - Report on the resources required for the City of Yerevan Inter-Community Unions to deliver their mandated functions prescribed in the Law on Local Self-Government.
 - Training materials for the training of Yerevan Councilors in financial management policy and budgeting.
 - Draft manual on Local Government Management in Armenia.

- Citizens Participation
 - Guide for citizens' participation in the city capital planning processes.
 - Methodology for performing Participatory Urban Assessments in cities.

Program Summary

- Input by USAID
 - USAID held meetings with implementers (NDI, Chemonics, ABA/CEELI, including LGP, to discuss a modus operandi to disseminate to the public the proposed amendments to the Constitution. Three Constitutions are being promoted (NDP, Communists and the President's). LGP agreed to assist in the dissemination of the amendments using three NGOs (Finance Officers Association, Union of Communities and Yerevan Councilors Association).
 - USAID awarded Save-the-Children a contract to finance capital projects in the nine pilot cities. Approximately \$60,000 is available for each city. The projects will be financed on the pilot cities successfully completing three-year capital investment plans and involving citizens in the project selection process.
 - USAID, including the Mission Director, visited pilot cities to audit the implementation of LGP.
- Legal Reform
 - Public and inter ministerial hearings organized by the Government on the draft Law on Local Self-Government were completed.
 - The Law on Local Self-Government successfully passed the first hearing (December 2001) in National Assembly. The second hearing will be held in January 2002.
 - Discussions were held with the Ministry of Territorial Administration and donor agencies regarding the implementation of the Law on Local on Self-Government should it be passed in November 2001. The law provides for the creation of Inter-Community Unions, a new institutional structure.
 - The working group successfully completed the drafting of the Law on Apartment Management and Condominiums. The laws were presented to the Government who will include them in the National Assembly legislative program in January and February 2002.



- City of Yerevan Reform
 - A program was completed to enhance the capacity of councilors in financial management policy and budgeting. A Training of Trainers Program using officers from the Yerevan Councilors Association has been completed. The trainers trained 150 councilors representing the 12 districts of Yerevan in financial management policy and budgeting.
 - Inter donor co-ordination meetings were held to complete the supply and installation of computer systems and software to improve financial management and transparency in the 12 districts of Yerevan.
 - Financial Officers from the districts of Yerevan were trained to use the financial management software developed by LGP and the Finance Officers Association. The Finance Officers Association will continue onsite training during 2002. The goal of the program is to upgrade databases (land and property, population, etc.), improve revenue collection and financial management.
 - A working group completed a report on the resources required to finance the citywide functions. Further work will be continued in the Year 2002 to develop the Inter-Community Union for Yerevan.
 - Technical assistance in the preparation of asset management plans continued in the districts of Yerevan.
- Fiscal Reform
 - Work continued on the development of land and property tax reform. Pilot cities are continuing develop systems for collecting land and property tax. For the year to date pilot cities have reported an increase in local tax collection (2000 compared to 2001). Mayors agreed that the installation of the computerized management information systems and more accurate databases have contributed to the increase in the tax collection (see Table above).
- Service Delivery Improvement in Municipalities
 - Participatory Urban Assessments (PUA) in all nine pilot cities to enable the cities to determine project priorities were completed. Citizen participation was conducted through the creation of Civic Action Groups in the districts of each pilot city. Citizen participation in these activities was very high and the main priority is the creation of employment opportunities. As a result of the completion of the PUA the process of capital planning has commenced in pilot cities. Training on "How to prepare a capital plan" has been completed for the Civic Action Groups that participated in the PUA. In October 2001 training was performed for City Hall executives in the preparation of capital investment

plans. Following the training and the preparation of capital plans the cities have prepared selected specific projects for financing through Save-the-Children project finance scheme.

- Technical assistance in financial management and budgeting delivered by the Finance Officers Association, continued in the pilot cities. The result of the effort has been improved accuracy of databases and an increase in revenues. In addition cities have agreed to share more financial information with citizens through budget hearings.
- Pilot cities have completed asset management plans. The plans include the following categories for assets, public use, revenue generation and disposal.
- Training in the implementation of the new Law on Public Procurement was completed.
- A compendium (electronic copy) of the laws of Armenia was installed in the pilot cities. Thus database has helped the cities present more accurate information to citizens.
- Citizens Participation in Local Government
 - Citizens in the nine pilot cities formed Civic Action Groups and participated in the capital planning process. Citizens input in the capital planning process has led to better prioritization of projects; one of the key priorities being the creation of employment opportunities.
 - Pilot cities continued with the implementation of Citizens Information Centers. The Information Centers are computerized and contain key databases that will enable citizens to obtain relevant information. Cities have used the computers and related software to publish local news letter/bulletins, etc.
 - Meetings were held in the Earthquake cities (Vanadzor, Gyumri & Alaverdi) to support the registration of condominiums. Twenty condominiums have been registered to support the USAID funded Earthquake Zone Recovery project component of allocating grants for apartment building improvements. Final training was carried out in the City of Yerevan for Condominium Associations on financial management to increase their ability to access funds from donor agencies for renovation and energy programs.
 - The working group on Law on Apartment Management and Condominiums held regular workshops to prepare a wider Law on Apartment Management that will include condominiums as management option. The Government has recommended to the working group that all apartment blocks in Armenia must be managed in some form or another, hence the need for a wider Law on Apartment management. The draft law would be presented to the National Assembly in February 2002.



- LGP continued to hold meetings with donor agencies to attract finance for Condominium Association projects and the set up of a housing fund. The World Bank is currently leading an initiative to finance energy projects for condominiums and apartment blocks.
- Manual for Local Government Management
 - Fact finding visits to the pilot cities were undertaken to better understand the capacity of LGU officials to enable LGP to determine the content of the manual, type and how it should be prepared.
 - A draft Manual for Local Government Management in Armenia has been prepared.

Significant Findings and Delays

Findings—The introduction of computer hardware and municipal finance software in nine Armenian pilot cities has provided a strong incentive and basis to increase land and property tax collection. This accomplishment is even more encouraging when one takes into account that the cities do not have complete contacts of the tax assessment, billing and collecting process.

The Table below indicates the progress in increasing land and property tax revenues to each pilot city. In addition to the very encouraging increase in land and property tax collection, the program has seen dramatic productivity increases, pronounced enthusiasm and positive attitude toward their work by city staff.

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Total	215,748	284,353	32

* Adjusted to 10 month receipts to make the comparison with 2001.

** Represents 10 full months of tax collection.

Source: Municipal Finance Officers Association, Yerevan, Armenia

Delays—The passage of the Law of Local Self-Government through the National Assembly has been delayed by a month due to procedural issues and the Government's attention on the proposed amendments to the Constitution that should comply with the Council of Europe principles. This delay is beyond the control of LGP and will have limited impact on the component one of the program (legal

reform). The other components, two and three (Service Delivery and Citizens Participation), will not be impacted.

Work Planned for Next Reporting Period

2002. This section of the quarterly report presents the major activities planned for the first quarter of

- Legal Reform and Local Government Association Development
 - Continue to work on LGU reform and integrate the work into the proposed legislative program for LGU reform:
 - ◆ Submission to the National Assembly to discussion in January 2002.
 - ◆ Signed by President in February 2002.
 - Support the government on the passage of the Law of Local Self-Government through the National Assembly.
 - Set up a working group to develop the charter and organizational structure of the Inter-Community Union in Yerevan.
 - Set up a working group to develop the charter and organizational structure for the four pilot Inter Community Unions outside Yerevan.
 - Continue to strengthen Local Government Associations (Union of Communities, Union of Yerevan Councilors and Finance Officers Associations) through business planning and the development of saleable products, specifically training courses and software.
 - Support USAID and other implementers in the dissemination of amendments to the Constitution for the proposed referendum.
- City of Yerevan Reform—Management Systems
 - Complete the installation of computer systems and software to improve financial management and transparency in the 12 districts of Yerevan.
 - Continue technical assistance specifically related to financial management in the districts of Yerevan.



- **Fiscal Reform**
 - Continue to strengthen the pilot cities ability to collect and administer land and property tax.
 - Continued to work on the harmonization of the key laws with the draft Law on Local Self-Government, especially the Law on Land and Property Tax.
 - Support the government on the passage of the Law of Local Self-Government through the National Assembly.
- **Service Delivery Improvement in Municipalities**
 - Continue training and technical assistance for the implementation of computerized financial management software and Citizens Information Centers in pilot cities.
 - Continue to work towards the installation of digital links between the City Halls and the local Treasury Offices to improve information flow and transparency.
 - Continue to work on the preparation of asset management plans in the 12 districts of Yerevan.
- **Citizen Participation in Local Government**
 - Undertake training in pilot cities on condominium association development especially in the Earthquake Zone.
 - Continue to finalize the Law on Apartment Management and Condominiums for passage through the National Assembly and subsequent implementation.
 - Manual for Local Government Management.
 - Continue to develop the Manual for Local Government Management.

Specific Action Requested

Support is required from donor organizations to strengthen the information flow between the State Agencies (Cadastre, Treasury and State Revenue) and municipalities.

Up-To-Date Schedule of Work

- Final deliberations on the Law on Local Self-Government by the National Assembly are proceeding according to plan despite procedural delays.

- Technical assistance to local governments and Yerevan districts is proceeding according to schedule.
- The installation of citizens' information centers and participation of citizens in local government decision making is proceeding according to plan.

Program Issues

The following Scopes of Work were prepared:

- Consultants to continue the preparation of the Law on Apartment Management and Condominiums.
- AUA to undertake household survey in pilot cities.
- Consultants to collect data for the LGP Performance Plan.
- Consultants to undertake housing need analysis in Kapan.

The following proposals were received:

- Consultants to collect data for the LGP Performance Plan.
- Consultants to undertake housing needs analysis in Kapan.

The following contracts were closed:

- AUA to perform a 2001 household survey.
- Consultants to undertake housing needs analysis in Kapan.

The following contracts were completed:

- Training in condominium management for six districts of Yerevan.
- Consultants to undertake housing need analysis in Kapan.
- Yerevan Councilors to undertake financial management training of Councilors.
- National Association of Condominiums to perform training in condominium management in pilot marzes.



- Scientific Research Center for City Management Systems to perform training in condominium management in six districts of Yerevan.
- American University of Armenia contract on Citizens Information and Survey.
- Save-the-Children–Participatory Urban Assessments in pilot cities.
- Dilinet–Training in computers in Ijevan.
- Local Government Training and Assistance Center–compilation of non-financial information for pilot cities.
- Union of Communities–Training in Procurement.
- Finance Officers Association–Training in Procurement.
- Scientific Research Center for City Management Systems–Training in Procurement.

Meetings

Monthly Meetings—USAID (October 10, 2000, November 6, 2000, December 6, 2000, February 6, 2001, March 7, 2001, April 7, 2001, May 9, 2001, June 7, 2001, July 20, 2001, August 24, 2001, September, October, November, and December).

Staff Travel and Leave

- Advisers including USAID visited Vanadzor, Gyumri, Yeghegnadzor, Jermuk, Kapan and Sissian to review progress of LGP implementation.
- Advisers visited the Yerevan districts to discuss asset management plans.
- Advisers visited Vanadzor, Kapan, Sissian, Alavedi, Gyumri, Ijevan, Jermuk, and Yeghegnadzor to discuss capital planning and financial management.
- Advisers visited Yerevan Districts to discuss technical assistance in financial management.

Expatriate Visits

- Ms. Carol Rabenhorst (Legal Specialist, UI Washington)
- Mr. Phillip Rosenberg (Financial Management Specialist)

Appointments

- Nil

Departures

- Malcolm Simpson (CoP) retired

Key Personnel

Ms. Carol Rabenhorst, (202) 261-5767, crabenho@ui.urban.org.

ATTACHMENT

Cost Report